

**DESNOES & GEDDES LIMITED**  
**UNAUDITED OPERATING RESULTS**  
**FOR THE PERIOD ENDED SEPTEMBER 30, 2014**

The Directors of Desnoes & Geddes Limited, producers of Jamaica's beer, Red Stripe, and distributors of leading spirits Johnnie Walker and Smirnoff, wish to present the unaudited results of the Group for the three-month period ended September 30, 2014.

( Results in J\$ millions)	Profit and Loss Summary		
	3-months ended September 30		
	FY15	FY14	% change
	J\$m	J\$m	%
Net sales value	2,768	2,692	3 %
Trading profit	651	539	21 %
Profit before tax	640	559	14 %
Profit after tax	476	368	30 %
Earnings per stock unit (cents)	16.95	13.09	30 %

**Performance Highlights**

Trading profit for the quarter ended September 30, 2014 increased by 21% compared to the same period last year. This performance was driven primarily by sales growth in the domestic market. Profit after tax of \$476 million was up by 30% compared to the same period last year. This improved earnings per stock to \$16.95.

Net Sales Value for the quarter was \$2,768 million, representing a 3% increase compared to the same period last year. Revenue from our domestic portfolio of brewed beverages grew 6% as a result of increased volumes and the price increase taken in August. Export sales were lower in the quarter compared to last year partly due to the delays of some export orders moving back into quarter two.

Cost of sales for the period at \$1,612 million increased by 1% compared to the previous year. Our ability to contain costs despite the impact of the devaluing dollar on input is in large part due to efficiency gains from our investment in the brewery modernization such as the new Combined Heat and Power plant (CHP).

Marketing expenses of \$268 million for the quarter increased by \$2 million compared to last year.

General, selling and administration expenses for the quarter were \$263m, 9% below the same period last year. This resulted largely from cost-saving initiatives as well as the outsourcing of our selling and distributions activities to CBL, our sales and distribution joint venture.

Our cash balance was \$1,791 million at the end of September. Cash generated from operating activity was \$495 million, despite higher inventory balances when compared to last year. Investment in our plant continues and this amounted to capital expenditure of \$499 million for the three-month period.

**Enriched Communities**

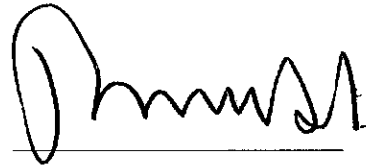
September 1 was a proud day for Red Stripe as it marked the start of the first Learning for Life Project Grow cohort. This particular skills training program is a component of our commitment to replace 30% of our imports with locally sourced material, specifically cassava.

The first cohort consists of 29 students and they will undergo a nine-week training program administered by the Caribbean Agricultural Research and Development Institute. The students will also receive a Level One Certificate from HEART Trust NTA after successfully completing the program and will be employed by Red Stripe to further expand its cassava farm.

Red Stripe also won three awards at the annual Diageo Latin America and the Caribbean Spirit of Supply Awards namely: Innovate at Scale Team Award, Advantage in Route to Consumer Team Award and Zero Harm Individual Award. For the Innovate at Scale Team Award, Red Stripe was recognized for its agility in bringing new products to market in response to consumer demand. The joint venture between Pepsi and Red Stripe, Celebration Brands Limited (CBL), also earned the company an award in the category of Advantage in Route to Consumer.



Cedric Blair  
Managing Director  
October 29, 2014



Richard Byles  
Chairman  
October 29, 2014

**DESNOES & GEDDES LIMITED**  
**GROUP STATEMENT OF FINANCIAL POSITION**

**As at September 30, 2014**

	Unaudited September 30, 2014 \$'000	Unaudited September 30, 2013 \$'000	Audited June 30, 2014 \$'000
<b>ASSETS</b>			
Investments	-	960,672	-
Investment in joint venture	164,923	222,609	181,033
Investment properties	889,599	275,650	889,599
Property, plant and equipment	5,806,249	4,498,331	5,495,994
Employee benefit asset	1,028,000	659,000	1,046,000
<b>Total non-current assets</b>	<b><u>7,888,771</u></b>	<b><u>6,616,262</u></b>	<b><u>7,612,626</u></b>
Cash resources	1,790,868	1,382,402	1,788,523
Short-term deposits	-	1,131	-
Accounts receivable	1,417,935	1,886,487	1,368,754
Due from fellow subsidiaries	235,801	267,428	407,208
Inventories	1,431,705	1,028,084	1,076,485
<b>Total current assets</b>	<b><u>4,876,309</u></b>	<b><u>4,565,532</u></b>	<b><u>4,640,970</u></b>
Accounts payable	1,988,700	1,865,518	2,014,807
Taxation payable	480,755	350,230	416,451
Due to fellow subsidiaries	209,617	312,862	193,601
<b>Total current liabilities</b>	<b><u>2,679,072</u></b>	<b><u>2,528,610</u></b>	<b><u>2,624,859</u></b>
<b>Net current assets</b>	<b><u>2,197,237</u></b>	<b><u>2,036,922</u></b>	<b><u>2,016,111</u></b>
<b>Total assets less current liabilities</b>	<b><u>10,086,008</u></b>	<b><u>8,653,184</u></b>	<b><u>9,628,737</u></b>
<b>EQUITY</b>			
Share capital	2,174,980	2,174,980	2,174,980
Capital reserves	378,129	72,918	378,129
Other reserves	664,498	1,352,165	678,000
Retained earnings	6,255,042	4,424,407	5,779,518
<b>Shareholders' equity</b>	<b><u>9,472,649</u></b>	<b><u>8,024,470</u></b>	<b><u>9,010,627</u></b>
Minority interest	-	7,447	-
<b>Total equity</b>	<b><u>9,472,649</u></b>	<b><u>8,031,917</u></b>	<b><u>9,010,627</u></b>
<b>NON-CURRENT LIABILITIES</b>			
Employee benefit obligation	142,000	91,000	142,000
Deferred tax liabilities	471,359	530,267	476,110
<b>Total non-current liabilities</b>	<b><u>613,359</u></b>	<b><u>621,267</u></b>	<b><u>618,110</u></b>
<b>Total equity and non-current liabilities</b>	<b><u>10,086,008</u></b>	<b><u>8,653,184</u></b>	<b><u>9,628,737</u></b>

**DESNOES & GEDDES LIMITED**  
**COMPANY STATEMENT OF FINANCIAL POSITION**  
**As at September 30, 2014**

	Unaudited September 30, 2014 \$'000	Unaudited September 30, 2013 \$'000	Audited June 30, 2014 \$'000
<b>ASSETS</b>			
Investments	-	960,654	-
Investment in joint venture	191,500	191,500	191,500
Investment properties	889,599	275,650	889,599
Property, plant and equipment	5,806,249	4,498,331	5,495,994
Employee benefit asset	1,028,000	659,000	1,046,000
<b>Total non-current assets</b>	<b>7,915,348</b>	<b>6,585,135</b>	<b>7,623,093</b>
Cash and bank	1,790,868	1,380,646	1,788,523
Short-term deposits	-	1,131	-
Accounts receivable	1,417,935	1,886,487	1,368,754
Due from fellow subsidiaries	235,801	267,429	407,208
Inventories	1,431,705	1,028,084	1,076,485
<b>Total current assets</b>	<b>4,876,309</b>	<b>4,563,777</b>	<b>4,640,970</b>
Accounts payable	1,988,700	1,861,640	2,014,807
Taxation payable	480,755	350,241	416,451
Due to fellow subsidiaries	209,617	312,862	193,601
<b>Total current liabilities</b>	<b>2,679,072</b>	<b>2,524,743</b>	<b>2,624,859</b>
<b>Net current assets/(liabilities)</b>	<b>2,197,237</b>	<b>2,039,034</b>	<b>2,016,111</b>
<b>Total assets less current liabilities</b>	<b>10,112,585</b>	<b>8,624,169</b>	<b>9,639,204</b>
<b>EQUITY</b>			
Share capital	2,174,980	2,174,980	2,174,980
Capital reserves	378,129	67,755	378,129
Other reserves	664,498	1,352,165	678,000
Retained earnings	6,281,619	4,349,594	5,789,985
<b>Total equity</b>	<b>9,499,226</b>	<b>7,944,494</b>	<b>9,021,094</b>
<b>NON-CURRENT LIABILITIES</b>			
Employee benefit obligation	142,000	91,000	142,000
Long-term liabilities	-	58,408	-
Deferred tax liabilities	471,359	530,267	476,110
<b>Total non-current liabilities</b>	<b>613,359</b>	<b>679,675</b>	<b>618,110</b>
<b>Total equity and non-current liabilities</b>	<b>10,112,585</b>	<b>8,624,169</b>	<b>9,639,204</b>

## DESNOES & GEDDES LIMITED

### Group Income Statements

3 months period ended September 30, 2014

	Unaudited 3 months to September 30, 2014 \$'000	Unaudited 3 months to September 30, 2013 \$'000
Turnover	3,367,322	3,282,586
Special Consumption Tax (SCT)	(599,165)	(590,468)
<b>Net sales</b>	<b>2,768,157</b>	<b>2,692,118</b>
Cost of sales	(1,611,683)	(1,590,443)
<b>Gross profit</b>	<b>1,156,474</b>	<b>1,101,675</b>
Marketing costs	(268,489)	(266,117)
Contribution after marketing	887,985	835,558
General, selling and administration expenses	(261,421)	(288,234)
Other income/expense	24,473	(7,903)
<b>Trading profit</b>	<b>651,037</b>	<b>539,421</b>
Employee benefit expense	(2,000)	(3,000)
Non-operating (expenses)/income	896	687
Finance income - interest	6,577	6,358
Share of loss in joint venture	(16,110)	19,207
Gain/(Loss) on disposal of property, plant & equipment & investment	-	(3,299)
Profit before finance cost	640,400	559,374
Finance cost	-	-
<b>Profit before taxation</b>	<b>640,400</b>	<b>559,374</b>
Taxation	(164,128)	(191,698)
<b>Profit for the period attributable to equity holders of the parent company, all dealt with in the financial statements of the company</b>	<b>476,272</b>	<b>367,676</b>
Earnings per stock unit	<u>16.95</u> ¢	<u>13.09</u> ¢

**DESNOES & GEDDES LIMITED**

Company Income Statements

3 months period ended September 30, 2014

	Unaudited 3 months to September 30, 2014 \$'000	Unaudited 3 months to September 30, 2013 \$'000
Turnover	3,367,322	3,282,586
Special Consumption Tax (SCT)	(599,165)	(590,468)
<b>Net sales</b>	<b>2,768,157</b>	<b>2,692,118</b>
Cost of sales	(1,611,683)	(1,590,443)
<b>Gross profit</b>	<b>1,156,474</b>	<b>1,101,675</b>
Marketing costs	(268,489)	(266,117)
Contribution after marketing	887,985	835,558
General, selling and administration expenses	(261,421)	(288,234)
Other income/expense	24,473	90,923
<b>Trading profit</b>	<b>651,037</b>	<b>638,247</b>
Employee benefit expense	(2,000)	(3,000)
Non-operating (expenses)/income	896	687
Finance income - interest	6,577	6,358
Gain/(Loss) on disposal of property, plant & equipment & investment	-	(3,299)
Profit before finance cost	656,510	638,993
Finance cost	-	-
<b>Profit before taxation</b>	<b>656,510</b>	<b>638,993</b>
Taxation	(164,128)	(191,698)
<b>Profit for the period attributable to equity holders of the parent company, all dealt with in the financial statements of the company</b>	<b>492,382</b>	<b>447,295</b>
Earnings per stock unit	<u>17.53</u> ¢	<u>15.92</u> ¢

**DESNOES & GEDDES LIMITED**  
**Group Statement of Comprehensive Income**  
**3 months period ended September 30, 2014**

	Unaudited September 30, 2014 \$'000	Unaudited September 30, 2013 \$'000
Profit for the period	<u>476,272</u>	<u>367,676</u>
<b>Other comprehensive income/ (loss):</b>		
Change in unrecognised employee benefit asset	(130,000)	(4,000)
Deferred taxation on employee benefit asset	4,750	6,000
Actuarial (loss)/gain recognised in equity	111,000	(16,000)
Total other comprehensive loss	<u>(14,250)</u>	<u>(14,000)</u>
Total comprehensive income for the period	<u>462,022</u>	<u>353,676</u>

**DESNOES & GEDDES LIMITED**  
**Company Statement of Comprehensive Income**  
**3 months period ended September 30, 2014**

	Unaudited September 30, 2014 \$'000	Unaudited September 30, 2013 \$'000
Profit for the period	<u>492,382</u>	<u>447,295</u>
<b>Other comprehensive income/ (loss):</b>		
Change in unrecognised employee benefit asset	(130,000)	(4,000)
Deferred taxation on employee benefit asset	4,750	6,000
Actuarial (loss)/gain recognised in equity	111,000	(16,000)
Total other comprehensive loss	<u>(14,250)</u>	<u>(14,000)</u>
Total comprehensive income for the period	<u>478,132</u>	<u>433,295</u>



**DESNOES & GEDDES LIMITED**  
**Unaudited Group Statement of Changes in Equity**  
**3 months period ended September 30, 2014**

	Attributable to equity holders of the parent company				Minority interest	Total
	Share capital	Capital reserves	Other reserves	Retained earnings		
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balances at June 30, 2013	2,174,980	75,525	1,365,465	4,054,824	7,447	7,678,241
Total comprehensive income for the year:	-	-	-	353,676	-	353,676
Movement between reserves:						
Transfer to pension equalisation reserve	-	-	(13,300)	13,300	-	-
Elimination of retain earnings for companies dissolved	-	(2,607)	-	2,607	-	-
Balances at September 30, 2013	<u>2,174,980</u>	<u>75,525</u>	<u>1,352,165</u>	<u>4,421,800</u>	<u>7,447</u>	<u>8,031,917</u>
Balances at June 30, 2014	2,174,980	378,129	678,000	5,779,518	-	9,010,627
Total comprehensive income for the year:	-	-	-	462,022	-	462,022
Movement between reserves:						
Transfer to pension equalisation reserve	-	-	(13,502)	13,502	-	-
Balances at September 30, 2014	<u>2,174,980</u>	<u>378,129</u>	<u>664,498</u>	<u>6,255,042</u>	<u>-</u>	<u>9,472,649</u>

**DESNOES & GEDDES LIMITED**  
**Unaudited Company Statement of Changes in Equity**  
**3 months period ended September 30, 2014**

	Share capital \$'000	Capital reserves \$'000	Other reserves \$'000	Retained earnings \$'000	Total \$'000
Balances at June 30, 2013	2,174,980	67,755	1,365,465	3,902,999	7,511,199
Total comprehensive income for the year:				433,295	433,295
Movement between reserves:					
Transfer to pension equalisation reserve	-	-	(13,300)	(13,300)	-
Balances at September 30, 2013	2,174,980	67,755	1,352,165	4,322,995	7,944,494
Balances at June 30, 2014	2,174,980	378,129	678,000	5,789,985	9,021,094
Total comprehensive income for the year:				478,132	478,132
Movement between reserves:					
Transfer to pension equalisation reserve	-	-	(13,502)	13,502	-
Balances at September 30, 2014	2,174,980	378,129	664,498	6,281,619	9,499,226

**DESNOES & GEDDES LIMITED****Group Statement of Cash Flows****3 months period ended September 30, 2014**

	Unaudited September 30, 2014 \$'000	Unaudited September 30, 2013 \$'000
<b>CASHFLOWS FROM OPERATING ACTIVITIES</b>		
Profit for the period	476,272	367,676
Adjustments for:		
Items not involving cash:		
Interest income	(6,577)	(6,359)
Depreciation	183,594	152,995
Loss on disposal of property, plant and equipment	-	3,299
Income tax charge	164,128	191,698
Increase in employee benefit asset and obligation	2,000	3,000
Share of (profit)/loss in Joint Venture	16,110	(19,207)
	<u>835,527</u>	<u>693,102</u>
Changes in working capital		
Accounts receivable	(49,181)	(766,185)
Due from fellow subsidiary	171,407	50,563
Inventories	(349,837)	5,908
Accounts payable	(26,107)	(154,931)
Due to fellow subsidiaries	16,014	63,976
Cash generated from operations	<u>597,823</u>	<u>(107,567)</u>
Pension contribution	(3,000)	(4,000)
Income taxes paid	(99,824)	(110,729)
Net cash provided by operating activities	<u>494,999</u>	<u>(222,296)</u>
<b>CASHFLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of property, plant and equipment	(499,231)	(116,011)
Proceeds from disposal of property, plant and equipment	-	1,911
Interest received	6,577	6,359
Net cash provided/used by investing activities	<u>(492,654)</u>	<u>(107,740)</u>
Net decrease/increase in cash and cash equivalents	2,345	(330,037)
Cash and cash equivalents at beginning of period	<u>1,788,523</u>	<u>1,713,570</u>
Cash and cash equivalent at end of period	<u><b>1,790,868</b></u>	<u><b>1,383,533</b></u>
Comprised of:-		
Cash and bank balances	1,790,868	1,382,402
Short-term deposits	-	1,131
	<u><b>1,790,868</b></u>	<u><b>1,383,533</b></u>

**DESNOES & GEDDES LIMITED****Company Statement of Cash Flows****3 months period ended September 30, 2014**

	Unaudited September 30, 2014 \$'000	Unaudited September 30, 2013 \$'000
<b>CASHFLOWS FROM OPERATING ACTIVITIES</b>		
Profit for the period	492,382	447,295
Adjustments for:		
Items not involving cash:		
Interest income	(6,577)	(6,359)
Depreciation	183,594	152,995
Loss on disposal of property, plant and equipment	-	3,299
Income tax charge	164,128	191,698
Increase in employee benefit asset and obligation	2,000	3,000
Companies dissolved - D&G Wines & FOJ	-	(98,826)
	<u>835,527</u>	<u>693,101</u>
Changes in working capital		
Securities purchased under agreements to resell		
Accounts receivable	(49,181)	(766,185)
Due from fellow subsidiaries	171,407	50,563
Inventories	(349,837)	5,907
Accounts payable	(26,107)	(154,931)
Due to fellow subsidiaries	16,014	63,977
Cash generated from operations	<u>597,823</u>	<u>(107,567)</u>
Pension contribution	(3,000)	(4,000)
Income taxes paid	<u>(99,824)</u>	<u>(110,729)</u>
Net cash provided by operating activities	<u>494,999</u>	<u>(222,296)</u>
<b>CASHFLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of property, plant and equipment	(499,231)	(116,011)
Proceeds from disposal of property, plant and equipment	-	1,911
Interest received	6,577	6,359
Net cash provided/used by investing activities	<u>(492,654)</u>	<u>(107,740)</u>
<b>CASHFLOWS FROM FINANCING ACTIVITY</b>		
Net decrease/increase in cash and cash equivalents	2,345	(330,037)
Cash and cash equivalents at beginning of period	<u>1,788,523</u>	<u>1,711,814</u>
Cash and cash equivalent at end of period	<u><u>1,790,868</u></u>	<u><u>1,381,777</u></u>
Comprised of:-		
Cash and bank balances	1,790,868	1,380,646
Short-term deposits	-	1,131
	<u><u>1,790,868</u></u>	<u><u>1,381,777</u></u>

**DESNOES & GEDDES LIMITED**  
**Financial Information by Geographical Segment**  
**3 months period ended September 30, 2014**

	Domestic		Export		Group	
	Unaudited Sep 30,2014 \$'000	Unaudited Sep 30,2013 \$'000	Unaudited Sep 30,2014 \$'000	Unaudited Sep 30,2013 \$'000	Unaudited Sep 30,2014 \$'000	Unaudited Sep 30,2013 \$'000
Turnover	2,953,246	2,817,263	414,076	465,323	3,367,322	3,282,586
Special consumption tax	(599,165)	(590,468)	-	-	(599,165)	(590,468)
Net external revenue	2,354,081	2,226,795	414,076	465,323	2,768,157	2,692,118
Cost of sales	(1,424,020)	(1,415,708)	(187,663)	(174,735)	(1,611,683)	(1,590,443)
Gross profit	930,060	811,088	226,414	290,587	1,156,474	1,101,675
Marketing costs	(260,784)	(258,329)	(7,705)	(7,788)	(268,489)	(266,117)
Segment profit	669,277	552,759	218,708	282,799	887,985	835,559
General, selling & administration expenses					(261,421)	(288,234)
Other income					24,473	(7,903)
Trading profit					651,037	539,421
Employee benefit expense					(2,000)	(3,000)
Non-operating (expenses)/income					896	687
Finance income - interest					6,577	6,358
Share of profit in joint venture					(16,110)	19,207
Gain/(Loss) on disposal of property, plant & equipment & investment					-	(3,299)
Profit before finance cost					640,400	559,374
Finance cost					-	-
Profit before taxation					640,400	559,374
Taxation					(164,128)	(191,698)
Profit after taxation					476,272	367,676
Segment assets					12,765,080	11,181,794
Segment liabilities					3,292,431	3,149,877
Depreciation					183,594	152,995
Capital expenditure					499,231	116,011

## **DESNOES & GEDDES LIMITED**

Notes to the Financial Statements  
September 30, 2014

### 1. Identification

Desnoes & Geddes Limited (“the company”) is incorporated and domiciled in Jamaica and is a 58% subsidiary of Udiam Holdings AB, a company incorporated in Sweden. The ultimate parent company is Diageo PLC, incorporated in the United Kingdom. The company’s registered office is located at 214 Spanish Town Road, Kingston 11. The principal activities of the company comprise the brewing, bottling and distribution of beers, stouts and spirits.

### 2. Basis of preparation

#### (a) Statement of compliance:

The financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and their interpretations, issued by the International Accounting Standards Board (IASB). The accounting policies followed in these interim financial statements are consistent with those used in the audited financial statements for the year ended June 30, 2014.

#### (b) Basis of measurement:

The financial statements are prepared on the historical cost basis, except for available-for-sale investments (other than those for which a reliable measure of fair value is not available), and investment properties.

#### (c) Functional and presentation currency:

The financial statements are presented in Jamaica dollars, which is the company’s functional currency. All financial information presented has been rounded to the nearest thousand unless otherwise indicated.

#### (d) Use of estimates and judgments:

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amount of assets, liabilities, contingent assets and contingent liabilities at the reporting date and the income and expenses for the year then ended. Actual amounts could differ from those estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The significant area of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amount recognised in the financial statements is in respect of the measurement of defined benefit obligations and the fair value of certain available-for-sale investments.

DESNOES & GEDDES LIMITED

Notes to the Financial Statements (Continued)  
September 30, 2014

2. Basis of preparation (cont'd)

(e) Use of estimates and judgments (cont'd):

The amounts recognised in the statements of financial position and income statements for pension and other post-retirement benefits are determined actuarially using several assumptions. The primary assumptions used in determining the amounts recognised include expected long-term return on plan assets, the discount rate used to determine the present value of estimated future cash flows required to settle the pension and other post-retirement obligations and the expected rate of increase in medical costs for post-retirement medical benefits.

The expected return on plan assets is assumed considering the long-term historical returns, asset allocation and future estimates of long-term investment returns. The discount rate is determined based on the estimate of yield on long-term government securities that have maturity dates approximating the terms of the company's obligation. In the absence of such instruments in Jamaica, it has been necessary to estimate the rate by extrapolating from the longest-tenor security on the market. The estimate of expected rate of increase in medical costs is determined based on inflationary factors. Any changes in these assumptions will impact the amounts recorded in the financial statements for these obligations.

The carrying amount for available for sale investment is determined by a professional valuator using a maintainable earnings approach. Certain assumptions are made in respect of increased profitability, future tax rate, applicable multiple and discount rate for a minority share in an unquoted investment.

It is reasonably probable, based on existing knowledge, that outcomes within the next financial year that are different from these assumptions could require a material adjustment to the carrying amount reflected in the financial statements.

3. Significant accounting policies

(a) Revenue:

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts, volume rebates and special consumption taxes. Revenue is recognised in the income statements when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods.

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3. Significant accounting policies (cont'd)

(b) Property, plant and equipment:

(i) Items of property, plant and equipment are measured at cost, less accumulated depreciation and impairment losses.

(ii) Depreciation:

Depreciation is calculated on the straight-line basis at annual rates estimated to write off the carrying value of each asset over the period of its expected useful life. Annual rates are as follows:

Buildings	2%-2½%
Plant and equipment	2%-12½%
Furniture, fixtures and computer equipment	25%
Vending equipment	20%
Returnable bottles	20%
Returnable crates	10%

The depreciation methods, useful lives and residual values are reassessed annually.

(c) Inventories:

Inventories are stated at the lower of cost and net realisable value. The cost of inventories is based mainly on standard cost (which approximates to actual on a FIFO basis). Standard cost, where applicable, includes an appropriate share of production overheads based on normal operating capacity. Used cases and bottles (returnable packaging) which were previously stated at the customers' deposit value, are now reclassified as property, plant and equipment. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses.

(d) Taxation:

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly to equity, in which case it is recognised in other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided



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is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted at the reporting date.

3. Significant accounting policies (cont'd)

(e) Employee benefits:

Employee benefits are all forms of consideration given by the group in exchange for service rendered by employees. These include current or short-term benefits such as salaries, bonuses, NIS contributions, annual leave, and non-monetary benefits such as medical care and housing, post-employment benefits such as pension and other long-term employee benefits such as termination benefits.

(f) Segment reporting:

An operating segment is a component of the group that engages in business activities from which it may earn revenues and incur expenses, including revenue and expenses that relate to transactions with any of the group's other components. All operating segments' operating results are reviewed regularly by the groups MD to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

(g) Earnings per share:

The group presents basic earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the company by the weighted average number of ordinary shares outstanding during the year.